

## **FURLOUGH**

### **Employee Questions and Answers**

**NOTE:** The following is intended to briefly address important issues which may be of concern to you in the event of a furlough. This is not a legal document or contract, and may be subject to change.

#### **GENERAL**

**Q1: What is a furlough?**

**A1:** A furlough is the placement of an employee temporarily and involuntarily in a non-pay and non-duty status by the Employer because of lack of work or funds, or other non-disciplinary reasons.

**Q2: Why are employees being furloughed?**

**A2:** The widespread impact of the global financial crisis and constantly decreasing revenue projections by the Council on Revenues have forced the State of Hawaii to make drastic and unprecedented revenue and expenditure adjustments in the past year to close a budget deficit exceeding \$2 billion through the 2010-2011 fiscal biennium. Based on the May 28, 2009 projections by the Council on Revenues, the State of Hawaii is facing an additional deficit of \$730 million through the 2010-2011 fiscal biennium, resulting in an immediate fiscal emergency of unparalleled scope and magnitude.

In order to comply with constitutional and statutory provisions that require a balanced budget, the furlough of State employees, whose salaries and fringe benefits account for approximately 70% of the State operating budget, is a necessary component to any plan to balance the State budget.

Furloughs will allow the State to continue to carry out the missions of the State, ensure that government services are maintained, and preserve public health and safety in a cost effective manner. Furloughs will enable us to minimize public service disruptions, postpone or avert employee layoffs and terminations, and result in minimal recruitment and training costs when the economy recovers.

If a furlough is not implemented, the State will have to layoff up to 10,000 employees in order to realize an amount of savings equivalent to the projected savings from a furlough, which would seriously compromise the

State's ability to provide public services and maintain public health and safety.

**Q3: When will the furlough program start and how long will it last?**

A3: The furlough program will begin on July 1, 2009 and end on June 30, 2011.

**Q4: Who does the furlough program apply to?**

A4: It applies to most employees of the State Executive Branch under the authority of the Governor and may apply to Department of Education, University of Hawaii, and Hawaii Health Systems Corporation employees. This will include permanent, temporary, full-time, part-time, civil service, exempt employees, and student hires.

**Q5: If an employee is working in a specially-funded or federally-funded position, will he/she be subject to the furlough program?**

A5: Yes, unless the position is legally or contractually precluded from the furlough program by federal or state laws.

**Q6: How many days will employees be furloughed?**

A6: In order for the State to realize the cost savings intended from the furlough program, full-time employees will be furloughed a total of 72 workdays (3 days per month) in the 2010-2011 fiscal biennium. For all other employees, the number of days they shall be furloughed will be prorated based on the employee's full-time equivalent (FTE).

(See also question and answer #17)

**Q7: How will it be decided upon as to when furloughs are to be taken?**

A7: Department heads will determine when employees are to take their furlough days based on operational needs. Departmental furlough plans are being developed and will be finalized and disseminated prior to July 1, 2009.

**Q8: Can furloughs be taken in partial day increments?**

A8: That will be determined in your departmental furlough plan.

**Q9: What if an employee is not able to take their furloughs within the month for operational reasons?**

A9: The ability to "bank" furlough days will be determined in your departmental furlough plan. However, employees' pay will be reduced in the equivalent of

the furloughed days per month, and in no case may furlough days be carried over to the next fiscal year.

**Q10: Can an employee use paid leave (e.g., vacation, sick, compensatory time off) in lieu of furlough?**

A10: No.

**Q11: If an employee already requested and was approved vacation leave, can the employee now substitute a furlough day for one of the pre-approved vacation days?**

A11: This will be addressed in departmental furlough plans.

**Q12: Can an employee be required to work on a pre-approved furlough day?**

A12: The shifting of furlough days will be addressed in departmental furlough plans.

**Q13: Will a furlough be counted as a break in service?**

A13: No.

**Q14: If an employee is hired after the furlough program goes into effect, will he/she be subject to the furlough program?**

A14: Yes. New employees hired from July 1, 2009 to June 30, 2011 will be included in the furlough program.

### **HOLIDAY**

**Q15: Can an employee request to take his/her furlough on a holiday?**

A15: We are still reviewing this issue.

### **SALARY/ PAYROLL ADJUSTMENTS**

**Q16: When will the furlough day adjustments be reflected in employees' paychecks?**

A16: For employees hired before July 1, 1998 adjustments will be automatically made from each paycheck beginning July 20, 2009. For employees hired on/after July 1, 1998, adjustments will automatically begin on the August 5, 2009 paycheck.

**Q17: How much will the employees' paychecks be adjusted?**

A17: We will prorate the 36 yearly furlough days (for full-time employees) over each of the 24 yearly pay periods, essentially deducting 1.50 work days of base pay from each paycheck.

For part-time employees, the amount adjusted will be prorated according to the position's full-time equivalent (FTE). For example, if the employee's position is 50% FTE, the employee's pay will be adjusted by 6 hours per paycheck, as opposed to 12 (1.50 work days) hours.

To determine the FTE, the employee may check their Employee Personnel Action report (EPAR) or contact the Departmental Personnel Office.

**Q18: Will the furlough impact the calculation of differentials and premium pay?**

A18: No.

**Q19: For employees on temporary assignment (TA), will their salary reduction be based on TA pay or regular base pay?**

A19: Regular base pay.

**Q20: Will the furlough impact employees' automatic payroll deductions (e.g. EUTF, Parking, Deferred Compensation, Aloha United Way, etc.)?**

A20: It may. Therefore, it is recommended that employees review their automatic payroll deductions to ensure that their adjusted income will be sufficient to cover all of their deductions.

**LEAVES**

**Q21: Will furlough affect the number of hours of vacation or sick leave earned?**

A21: No.

**Q22: How will the furlough impact an employee on vacation or sick leave for a full calendar month?**

A22: The employee's vacation/sick leave will be adjusted for the furlough days and his/her vacation/sick leave will be credited to his/her leave balance for future use.

**Q23: How will the furlough impact an employee out on family leave for a full calendar month?**

A23: The furlough will not impact an employee out on unpaid family leave. However, if the employee is substituting paid sick leave or vacation leave for the period on family leave, he/she will not be paid for the three (3) furlough days.

**Q24: Will the furlough impact an employee who is out on military leave?**

A24: No.

**Q25: Will the furlough impact an employee who is on a leave without pay for disciplinary reasons?**

A25: Yes.

#### **PREMIUM CONVERSION PLAN (PCP)**

**Q26: Will employees enrolled in the PCP be allowed to cancel or change their PCP enrollment during the furlough period?**

A26: No, the furlough period is not an IRS-qualifying change in status event that would allow an employee to change/cancel their PCP enrollment and payroll deductions.

#### **EMPLOYEES' RETIREMENT SYSTEM**

**Q27: Will a furlough affect an employee's retirement service credits?**

A27: No, so long as the employee was on paid status for 15 or more calendar days during the month. (Note: If furloughed in the month of February, the employee will need to have been on paid status for 14 or more calendar days during the month.)

**Q28: Will a furlough affect the calculation of an employee's retirement benefits?**

A28: Yes. Retirement benefits are based on actual pay. "Average final compensation" for service and disability retirement benefit purposes is based on the employee's 3 or 5 highest paid years of creditable service. Any furlough may lower the "average final compensation" level.

**Q29: Will employees in the Hybrid Plan or Contributory Plan be allowed to temporarily cancel their contributions during the furlough period?**

**A29:** No.

For additional information on your retirement benefits, visit the ERS website at: <http://www4.state.hi.us/ers/Publications.htm>, or you may call them at 586-1735.

### **ISLAND FLEX FLEXIBLE SPENDING ACCOUNTS PLAN**

**Q30: If an employee participating in the Island Flex Flexible Spending Accounts Plan doesn't have enough in their paycheck to cover their deductions, what should they do?**

**A30:** Call Comprehensive Financial Planning, Inc., the State's Third-Party Administrator of the Plan, right away to make special arrangements. Oahu employees should call 596-7006. Neighbor island employees may call toll free at 1-877-550-5552. They may also be reached by e-mail: [cfpii001@hawaii.rr.com](mailto:cfpii001@hawaii.rr.com).

### **DEFERRED COMPENSATION PLAN**

**Q31: Will an employee's deferred compensation be affected?**

**A31:** It may. If an employee is deferring a set percentage of their pay, rather than a dollar amount, their total annual contribution amount may decrease. The maximum annual deferral amounts/limits is defined by the Internal Revenue Service (i.e., \$16,500 for 2009).

To discuss their options, employees may call ING, the Island Savings Plan Administrator, at 1-888-712-5642.

### **PARKING**

**Q32: What will happen to an employee's State parking if they do not have enough in their paycheck to cover for parking deductions?**

**A32:** The employee's parking assignment will continue provided they make out-of-pocket payments to the DAGS Automotive Management Division/Parking Control Branch on a timely basis. Arrangements may be made by calling 586-0344.